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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

Carnahan Courthouse Building
1114 Market St., Room 608
St. Louis, Missouri 63101
(314) 622-4723
Fax: (314) 613-3004

March 22, 2005

Christopher D. Amos, Commissioner
Equipment Services Division
1900 Hampton Avenue
St. Louis, MO 63139-2902

RE: Payroll Distribution of Equipment Services Division for the Payroll Period Ending
November 13, 2004 (Project #2004⁵14)

Dear Mr. Amos:

Enclosed is a report of our payroll distribution of Equipment Services Division for the pay period ending November 13, 2004. The objective of this review was to determine if:

- Only eligible City employees receive wages.
- Payroll checks are adequately safeguarded.
- Employees are only paid for actual hours worked.
- The accrual and use of paid leave is accurate.

Our fieldwork was substantially complete on December 3, 2004. We provided the management with the opportunity to discuss the draft report during a formal exit conference. However, the management declined an exit conference. Management responses to the observations and recommendations noted in the report were received on March 16, 2005 and have been attached to the report.

We have made the following observations and recommendations:

1. Opportunity to Develop Written Attendance and Payroll Procedures.

Written policies and procedures assist in ensuring that procedures and job functions are:

- Effectively communicated to and understood by staff.
- Approved by management.
- Consistently performed.
- In accordance with management goals and objectives.

Written policies and procedures also provide a basis for training and cross training of new and current employees and provide a basis for the development of performance standards and measures.

1. Continued...

The Division did not have written procedures for its payroll functions, specially:

- Accrual and use of vacation time.
- Review and approval of employee sign in sheets.
- Policy on recording meal breaks, vacation and sick leave taken on the daily sign in sheets.
- Procedure for review and approval of vacation and sick leave slips.

The lack of written policies and procedures increases the risk that procedures will not be:

- Effectively communicated and understood by staff.
- Approved by management.
- Consistently performed.
- In accordance with management's goals and objectives.

Lack of written policies and procedures also increases the risk that control procedures will not be effectively or may be over-ridden, employees will not be effectively trained and appropriate performance standards and measures may not be developed.

Recommendation

We recommend that the Equipment Services Division develop a policies and procedures for its payroll distribution process to ensure that payroll functions are consistently performed and controlled in accordance with management's goals and objectives. The policies and procedures should include but not limited to:

- How employee vacation time is accrued and used.
- Review and approval of daily sign in sheet by management personnel.
- Procedures for completing daily time sheet.
- Supervisory procedures for reviewing and approval of sick leave and vacation slips.
- Handling of unclaimed wages.

2. Opportunity To Ensure Vacation and Sick Leave Forms Are Completed and Signed.

It is the management's responsibility to ensure the accuracy and validity of official employee hours worked and leave taken through review and approval of completed leave forms.

We selected ten vacation leave forms and eight sick leave forms judgmentally from the three pay locations visited and found out that an administrative employee did not

2. Continued...

complete the vacation leave slip for management's approval. The Payroll Specialist however, completed out the form for the employee to enable her update her record.

Failure by employee to complete vacation and sick leave form when taken may result in dispute as to actual vacation and sick leave balances. The City may be at risk of paying an employee for vacation time already used or paying employee for hours not worked.

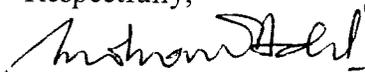
Recommendation

We recommend that the management requires all employees to have vacation and sick leave form completed and approved by the Commissioner or any one designated for leave taken.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact me at (314) 613-7410.

Respectfully,



Mohammad H. Adil, CPA
Internal Audit Manager

Attachment

cc: Honorable Darlene Green, Comptroller
Kathryn Lawson, Payroll Manager, Comptroller's Office
William M. Madden, Executive Assistant, Board of Public Service
Christine Barylski, Payroll Specialist II, Board of Public Service